

FISCAL NOTE

HB 2536 – SB 2862

March 28, 2006

SUMMARY OF BILL: Enacts the “TennCare Reform, Ethics, and Accountability Act of 2006”

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$488,214,500 Recurring

\$4,412,400 One-Time

Decrease State Expenditures - \$12,600,000

Other Fiscal Impact – Increase Federal Expenditures - \$992,190,800

Decrease Federal Expenditures - \$22,400,000

Assumptions:

- The Bureau of TennCare will incur an increase in expenditures for the open enrollment for the uninsurable and medically eligible populations estimated at \$1,284,722,000 (\$426,514,300 in state funds and \$858,207,700 in federal funds).
- There will be a decrease in expenditures estimated at \$35,000,000 (\$12,600,000 in state funds and \$22,400,000 in federal funds) for the premiums paid by the uninsurable and medically eligible populations that are above 200% of poverty.
- There will be an increase in expenditures estimated at \$28,710,400 (\$9,908,800 in state funds and \$18,801,600 in federal funds) for providing coverage to all children under the age of 19 whose family income is less than 200% of poverty.
- There will be an increase in expenditures for the unrestricted prescription drug coverage as part of a disease management program estimated at \$139,816,700 (\$41,692,300 in state funds and \$98,124,400 in federal funds).
- The changes to the definition of "medical necessity" are estimated to increase expenditures by \$25,244,400 (\$8,187,300 in state funds and \$17,057,100 in federal funds).

- The changes in expenditures and revenues incurred for the MCOs to enter into contracts that place them more at risk are included in the proposed FY 2007 budget.
- There will not be a significant increase in expenditures to establish an advisory committee to oversee the establishment of disease management programs. Disease management programs are included in the proposed FY 2007 budget.
- The Bureau of TennCare estimates that any impact on expenditures for therapeutic drug substitution will not be significant. The current PDL insures that the lower cost drug is being dispensed.
- Reimbursements to local governments, health care facilities or jails for the cost of treating seriously and persistently mentally ill (SPMI) persons who were denied TennCare services is estimated to be not significant.
- Conflict of interest disclosures are currently enforced in contracts and will not have a fiscal impact on expenditures or revenues.
- The Department of Human Services (DHS) will incur an increase in one-time state expenditures for the additional overtime costs for the initial rush of applicants at the start of the open enrollment period for the uninsurable and medically eligible populations. It is estimated that 1,860 counselors will work 10 hours of overtime per week for eight weeks which will result in one-time expenditures of \$3,348,000 (\$225 X 8 X 1,860).
- DHS will need to make modifications to the ACCENT system which will increase one-time expenditures by an amount estimated at \$1,064,400 and \$252,000 in recurring expenditures.
- DHS will increase the number of cases for administrative law judges (ALJ) that are contracted through the Secretary of State's Office which will result in \$1,159,800 in increased expenditures.
- There will be an increase in state expenditures of \$500,000 for the Comptroller to hire consultants to fulfill the provisions of the bill.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director